

Message Text

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ORIGIN EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-07 EUR-12 NEA-10

L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AGRE-00

AID-05 CIAE-00 COME-00 INR-07 IO-13 LAB-04

NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CEA-01 SS-15

OES-07 FEA-01 INT-05 (ISO) R

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EA/EP:MHENDERSON

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FM SECSTATE WASHDC

TO AMEMBASSY LIMA

AMEMBASSY MEXICO

AMEMBASSY LUSAKA

AMEMBASSY KINSHASA

AMEMBASSY JAKARTA

AMEMBASSY SANTIAGO

INFO USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY BONN

AMEMBASSY TOKYO

AMEMBASSY CANBERRA

AMEMBASSY PARIS

C O N F I D E N T I A L STATE 176730

E.O. 11652: GDS

TAGS:EMIN, IEGC, UNCTAD

SUBJECT: UNCTAD/COPPER: REQUEST FOR ASSESSMENT OF GOVERN-
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MENT VIEWS

AT THIS STAGE OF THE UNCTAD TALKS ON COPPER, IT IS IMPORTANT
THAT WE HAVE AS ACCURATE AN UNDERSTANDING AS POSSIBLE OF THE
CURRENT STATE OF THINKING IN EACH DEVELOPING COPPER-
PRODUCING COUNTRY ON THE QUESTION OF A COMMODITY AGREEMENT
FOR COPPER BASED ON A BUFFER STOCK AND SUPPLY CONTROLS.

TO THE EXTENT POSSIBLE, WE WANT TO GO BEYOND THE HOST GOVERNMENTS' STATED POLICY TO GET A "FIX" ON THE DEEPER ATTITUDES AND POWER RELATIONSHIPS WHICH WILL INFLUENCE ANY CHANGES IN THAT POLICY. ACTION REQUIRED: ADDRESSEES ARE REQUESTED TO UNDERTAKE A DETAILED AND BROADLY BASED ASSESSMENT IN THIS REGARD, TAKING INTO ACCOUNT THE FOLLOWING FACTORS.

2. IN SOME COUNTRIES THE ELEMENTS IN THE GOVERNMENT AND COPPER SECTORS WHICH WILL INFLUENCE DECISIONS ARE LIKELY TO BE INTERNALLY DIVIDED ON DESIRABILITY OR FEASIBILITY OF A COMMODITY AGREEMENT FOR COPPER BASED ON A BUFFER STOCK AND SUPPLY CONTROLS. POLITICAL ELEMENTS, FOR EXAMPLE, MAY FAVOR A COMMODITY AGREEMENT FOR REASONS OF LDC UNITY OR THIRD WORLD LEADERSHIP, WHILE ECONOMIC ELEMENTS MAY, IN SOME CASES, BELIEVE THAT A COMMODITY AGREEMENT FOR COPPER WOULD NOT SERVE THE COUNTRY'S ECONOMIC INTERESTS.

WHERE POSSIBLE, THE ASSESSMENTS SHOULD IDENTIFY ALL PRINCIPAL CURRENTS OF THOUGHT INFLUENCING POLICYMAKERS (WHERE SUCH CURRENTS ARE OF SIGNIFICANCE), AND SHOULD IDEALLY CONTAIN AN ESTIMATE AS TO WHICH LINE OF THOUGHT IS LIKELY TO PREVAIL.

3. FOR EXAMPLE, REPORTING CABLES AND OTHER SOURCES INDICATE THAT CHILE STRONGLY PREFERS THAT COPPER NOT BE PART OF THE INTEGRATED PROGRAM. DOES THIS MEAN THAT CHILE BELIEVES ANY COMMODITY AGREEMENT FOR COPPER BASED ON BUFFER STOCKS

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AND SUPPLY CONTROLS WOULD NOT WORK? OR THAT SUCH AN AGREEMENT WOULD BE COUNTER TO CHILE'S INTERESTS? OR ONLY THAT A COPPER AGREEMENT SHOULD NOT BE TIED INTO AGREEMENTS FOR OTHER COMMODITIES? DO WE HAVE ANY CLEAR INDICATIONS OF HOW DEEPLY THESE FEELINGS ARE HELD? OR HOW WIDELY? IS CHILE PREPARED, FOR EXAMPLE, TO BE THE ONLY DEVELOPING PRODUCER TO OPPOSE SUCH AN AGREEMENT? WOULD CHILE CONTINUE TO OPPOSE AN AGREEMENT IF THE US AND OTHER INDUSTRIALIZED CONSUMERS SHOULD AGREE TO CONVENE A NEGOTIATING CONFERENCE?

4. FROM PRIVATE CONVERSATIONS BETWEEN US DELEGATES TO THE UNCTAD MEETINGS AND THE DELEGATES FROM ZAMBIA AND ZAIRE, WE HAVE GOTTEN THE STRONG IMPRESSION THAT THE LATTER AS INDIVIDUALS DO NOT BELIEVE THAT THEIR COUNTRIES HAVE ANYTHING TO GAIN FROM A COMMODITY AGREEMENT BASED ON BUFFER STOCKS AND SUPPLY CONTROLS. HOWEVER, WE DO NOT KNOW TO WHAT EXTENT THAT OPINION REPRESENTS THE THINKING OF THEIR GOVERNMENTS. PUBLICLY, THE AFRICANS SAY THEY FULLY SUPPORT THE G-77 GOAL OF A COMMODITY AGREEMENT FOR COPPER BASED ON BUFFER STOCKS AND SUPPLY CONTROLS, BUT, SINCE THIS WOULD TAKE APPROXIMATELY 3 YEARS TO NEGOTIATE AND SET UP, THEY FEEL INTERIM MEASURES SHOULD BE TAKEN IN THE MEANTIME. IS THE LATTER, IN FACT, A FAIR STATEMENT OF ZAMBIAN AND

ZAIRIAN THINKING, OR ARE THEIR DELEGATES'PRIVATE STATEMENTS MORE REPRESENTATIVE THAN THE PUBLICLY STATED POLICY? AN ACCURATE ASSESSMENT AS REGARDS THESE TWO COUNTRIES IS OF PARTICULAR IMPORTANCE; THE AFRICANS MAY ULTIMATELY BE THE DECIDING FACTOR IN DETERMINING WHETHER THE DEVELOPING COUNTRIES MAINTAIN UNITY ON THIS ISSUE.

5. AS REGARDS PERU, MEXICO AND INDONESIA, THE SITUATION IS SOMEWHAT DIFFERENT. WE HAVE NOTHING TO CONTRADICT THE IMAGE OF WHOLEHEARTED SUPPORT--AND IN FACT LEADERSHIP-- WHICH THESE COUNTRIES HAVE PROJECTED IN THE UNCTAD MEETINGS WITH REGARD TO THE CONCEPT OF A COMMODITY AGREEMENT FOR COPPER BASED ON BUFFER STOCKS AND SUPPLY CONTROLS. HOWEVER, AT LEAST IN THE CASE OF PERU AND MEXICO, THIS APPROACH WOULD APPEAR CONTRARY TO THESE
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COUNTRIES' ECONOMIC INTERESTS. BOTH HAVE THE POTENTIAL, AND THE INTENTION, TO EXPAND SIGNIFICANTLY THEIR COPPER

PRODUCTION AND EXPORTS. BUT A COMMODITY AGREEMENT INVOLVING SUPPLY CONTROLS WOULD REQUIRE STRINGENT LIMITATIONS ON PRODUCTION OR EXPORTS. SINCE THESE QUOTAS WOULD BE BASED PRIMARILY ON HISTORICAL PERFORMANCE (ALTHOUGH THERE WOULD PRESUMABLY BE SOME SPECIAL TREATMENT FOR NEW MINES WITH GOOD POTENTIAL), THEY WOULD PROBABLY LIMIT THE ENTRY OF NEW OR SHARPLY EXPANDED PRODUCTION INTO THE MARKET. WOULD ANY SIGNIFICANT POLICY ELEMENTS IN THESE COUNTRIES AGREE WITH THIS ANALYSIS? HOW, IN FACT, DO PERU AND MEXICO RECONCILE WHAT WOULD APPEAR TO BE DIVERGENT ECONOMIC AND POLITICAL INTERESTS? DO THE APPROPRIATE ECONOMIC MINISTRIES AND/OR ELEMENTS OF THE INDUSTRY PARTICIPATE IN POLICY DECISIONS IN THIS REGARD? IF NOT, WOULD THEIR PARTICIPATION BE LIKELY TO RESULT IN DIFFERENT POLICY?

6. THESE ASSESSMENTS WOULD BE MOST USEFUL IF RECEIVED BY SEPTEMBER 1. SINCE DISCREET HANDLING OF THIS TASK MAY REQUIRE MAKING NUMEROUS AND POSSIBLY REPETITIVE CONTACTS, POSTS MAY INTERPRET THIS DEADLINE FLEXIBLY. WE WOULD, HOWEVER, APPRECIATE HAVING COMPLETED ASSESSMENTS IN HAND NO LATER THAN SEPTEMBER 30.

7. FYI: THIS IS NOT REPEAT NOT A REQUEST TO INFORM HOST GOVERNMENT OF US VIEWS. HOWEVER, TO EXTENT IT MAY BE HELPFUL IN DISCUSSIONS WITH CONTACTS, POSTS MAY DRAW UPON THE FOLLOWING. USG IS PARTICIPATING ACTIVELY IN UNCTAD TALKS WITH AN OPEN MIND AND WITH A VIEW TO FINDING WORKABLE SOLUTIONS TO THE PROBLEMS OF COPPER. DECISION WHETHER OR NOT TO ENTER NEGOTIATION OF A COMMODITY AGREEMENT FOR COPPER IS FOR US AN ECONOMIC, NOT REPEAT NOT A POLITICAL QUESTION. OUR DECISION WILL ULTIMATELY
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BE BASED UPON ECONOMIC CONSIDERATIONS AND WILL BE INFLUENCED BY ANALYSES WE ARE DOING "IN HOUSE" AND BEING DONE BY OTHERS. THE PROPONENTS OF AN AGREEMENT HAVE THUS FAR CONFINED THEIR ARGUMENTS PRIMARILY TO POLITICAL CONSIDERATIONS. NO CASE HAS YET BEEN MADE THAT AN AGREEMENT BASED ON BUFFER STOCKS AND SUPPLY CONTROLS IS ECONOMICALLY FEASIBLE OR DESIRABLE. MANY QUESTIONS -- TECHNICAL, FINANCIAL AND OTHER -- HAVE BEEN RAISED WHICH CAST DOUBT ON FEASIBILITY. FROM POINT OF VIEW OF OUR OWN COPPER INDUSTRY AND OUR EFFORTS TO ASSESS INTERESTS OF OTHER COPPER PRODUCERS, THERE IS ALSO REASON TO QUESTION ECONOMIC DESIRABILITY OF A BUFFER STOCK SUPPLY CONTROL AGREEMENT. IT IS FOR THESE REASONS WE HAVE SOUGHT EARLY ESTABLISHMENT OF A PRODUCER/CONSUMER FORUM FOR COPPER, A MECHANISM WHICH COULD WORK TO BENEFIT OF ALL AND WHICH WOULD ITSELF TEND TO STABILIZE PRICES (THROUGH IMPROVED MARKET KNOWLEDGE) WHILE PROCESS OF CONSIDERING MORE DIRECT

STABILIZATION MEASURES GOES FORWARD. NEVERTHELESS WE ARE CONSCIOUS OF THE FACT THAT PRICE VOLATILITY CAN BE HARMFUL TO BOTH PRODUCERS AND CONSUMERS, AND WE CONTINUE TO PARTICIPATE IN THE SEARCH FOR SOLUTIONS WITH A SENSE OF URGENCY. VANCE

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Message Attributes

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Disposition Approved on Date:
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Disposition Date: 22 May 2009
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